



To: Commission  
From: Gregory S. Matson  
Date: August 7, 2019  
Subject: 2018 –2019 Annual Report of the Executive Director

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This report is a summary of the Commission’s organizational and staff activities for the period July 1, 2018, through June 30, 2019.

## I. Programs & Activities

### A. Joint Audit Program

The Joint Audit Program has completed 6 corporate income tax audits and parts of 12 other corporate income tax audits for fiscal year 2019. The program also completed 7 sales tax audits and parts of 28 other sales tax audits for fiscal year 2019. There are 12 income and 31 sales tax audits in progress.

The program has proposed assessments of \$61,704,365 for the completed corporate income tax audits and \$6,470,763 for the completed sales tax audits for fiscal year 2019.

The following chart summarizes hourly data for completed audits for the fiscal year end June 30, 2019:

	<b>Income &amp; Franchise</b>	<b>Sales &amp; Use</b>	<b>Total</b>
<b>Total Audits</b>	6	7	13
<b>Total States Audited</b>	113	71	184
<b>Total Hours</b>	28337	6307	34644
<b>Average Hours per State</b>	251	89	188

The Audit Committee met for the first time in fiscal year 2019 on July 23, 2018, in Boston, Massachusetts. During this meeting the committee discussed the progress of current audits. The committee also discussed the Commission’s use of subpoenas. During the meeting in Boston, Bruce Fort, senior counsel, gave a presentation on recent happenings in the state and local tax area. As usual, the committee ended with the states’ roundtable discussion.

The committee met again on November 6, 2018, in Orlando, Florida. During this meeting the committee discussed the progress of current audits. Mr. Fort and Chris Barber,

counsel, gave a presentation on recent activity in state and local tax and unique audit issues. The committee reviewed and approved closure of a sales tax audit under the guidelines of the committee's early closure policy. The committee also reviewed and approved adding eight new corporate income tax audits into MTC's audit inventory.

The Audit Committee last met on April 24, 2019, in Denver, Colorado. During this meeting the committee approved changes to Step 2 in the audit nomination process. Step 2 allows Audit Committee member states to vote on audit candidates nominated by the member states. The changes included revising voting options, corresponding weight given to each option, and some slight formatting changes. Mr. Fort gave a presentation on recent happenings in the state and local tax area. The committee also discussed the progress of current audits and, as usual, the meeting concluded with the states' round table discussion.

Holly Coon of the Alabama Department of Revenue was hired on April 15, 2019, to replace Keith Getshel as director of the Joint Audit Program. Mr. Getschel retired in May.

The Joint Audit Program staff met in Boston, Massachusetts, May 20-23, 2019, to provide training on new and developing state tax issues and to promote camaraderie among the staff.

## **B. National Nexus Program**

### Multistate Voluntary Disclosure Program

Results for the fiscal year 2019 are provided below:

- Nexus states' collections: \$14,695,429 (\$18,601,151 in FY 2018)
- Non-Nexus state collections: \$48,892 (\$0 in FY 2018)
- Nexus states' executed contracts: 379 (3,087 in FY 2018)
- Nexus states' average contract value: \$38,774 (\$6,026 FY 2018)

The above amounts include funds received by the Commission or paid by the taxpayer directly to the states and reported to the Commission. Interest on back tax paid and the ongoing value of a new taxpayer are not included.

### Membership

There are currently thirty-eight participating states (including the District of Columbia) in the program. Commission staff continues to reach out to non-member states. Delaware terminated its participation in the Nexus Program at the end of FY 2018.

### Outreach

Richard Cram published an article entitled “No Shade for Cloud Computing Income Under P.L. 86-272,” in the September 24, 2018 issue of State Tax Notes.

Staff continues to urge states to put a link to the program on their voluntary disclosure web pages.

### Nexus Schools

A well-attended Nexus School (covering only income/franchise tax nexus) was held June 6-7, 2019, in Helena, Montana. Please let a member of the Commission staff know if your state would like to host a Nexus School.

### Amnesties

The program posts on its web page a list of upcoming and current state tax amnesties. Please inform program staff if you would like the Commission to post your state’s amnesty.

### Staffing

The program presently has four permanent full-time staff members: Richard Cram, director, Diane Simon-Queen, voluntary disclosure program manager, Michelle Lewis, paralegal, and James Lee, program specialist.

## **C. Legal Division**

The legal division staffs the Uniformity Committee and its various work groups (including research, drafting, presentations, and reports); staffs the Litigation Committee; provides attorney and other training; offers litigation support and legal advice to states; provides legal support to the Commission and its programs and projects (including the Joint Audit and National Nexus Programs and general administrative functions); and files amicus briefs on behalf of the Commission. Members of the legal division also regularly speak at conferences and seminars and publish articles in tax journals (as detailed elsewhere in this report).

### Uniformity Work

This year, the legal division has worked staffing the following uniformity projects:

- Partnership Informational Project
- Model *Finnigan* Combined Filing Approach
- Wayfair Implementation and Marketplace Facilitator Work Group\*
- Updated P.L. 86-272 Statement of Information

\*The primary staff for this project was Richard Cram, director of the Commission's National Nexus Program.

### Litigation Committee Work

The legal division staffed the Litigation Committee at its meetings in Boston, Massachusetts, on July 24, 2018, and Denver, Colorado, on April 24, 2019, helping to provide presentations at those meetings. At the Spring Committee Meetings, the Litigation Committee hosted lawyers Stephanie Do and Michael Hilkin of the Eversheds Sutherland firm who discussed state responses to the international tax provisions of the Tax Cuts and Jobs Act. Lila Disque provided an update on current Supreme Court cases impacting state taxation. The presentation was web-cast with lawyers from numerous states listening.

### Attorney and Other Training

The legal division participates in two types of Commission training—structured courses on topics related to multistate taxation and facilitated roundtable discussions for particular states. The structured courses may cover both legal and audit topics and the facilitated roundtable discussions are customized for states based on the cases or issues they would like to discuss. When providing training, the legal division often works in conjunction with Commission audit staff. Training conducted so far this year included a training and case consultation in Vermont; a two-day course in Georgia on transfer pricing and intercompany transactions; and corporate income tax training focused on combined reporting in New Jersey. At the end of 2018, the legal division put together an ethics training, along with the executive director and deputy executive director, for those state professionals needing CPE and CLE credit.

The legal division also develops and delivers attorney training in conjunction with Litigation Committee meetings. At the 2018 Annual Meeting, the legal division developed and helped present a series of training presentations, including an IRS presentation on sham transactions and expert instruction on statutory construction in the context of litigation. The legal staff also hosted a guided roundtable discussion on *Wayfair*, tax reform, and state responses to both. At the Spring Committee Meetings, the legal division hosted a two-day attorney training attended by attorneys from approximately 15 states. Discussion topics included cost-of-performance litigation, economic substance doctrine developments, nexus after *Wayfair*, residency-based taxation, trust litigation before the U.S. Supreme Court, and taxation of digital transactions and sharing economy services. The presentation was web-cast with lawyers from some 15 states listening. State attorneys receive free CLE for these trainings.

### Litigation Support and Legal Advice

The legal division regularly consults with state attorneys, as requested, on tax litigation including litigation strategy, issues, arguments, and moot courts. The legal division has provided substantial legal consultation during this fiscal year to the states of Vermont, Idaho, New Mexico, Colorado, South Carolina, Kansas, New Jersey, Pennsylvania, Minnesota, Missouri, and Utah. The legal division also works with a group of state tax attorneys and with

the National Association of Attorneys General to make sure that state attorneys general are aware of state cases in which the states may want to file joint amicus briefs.

The legal division also consults with individual states regarding draft legislation, draft regulations, and state tax policies. In recent months, states have reached out to the legal division for help with state issues resulting from federal tax reform, state tax reform, and the implementation of the *Wayfair* decision. With respect to implementation of *Wayfair*, the legal division has been assisted by National Nexus Program Director Richard Cram.

#### Support for the Commission's Programs and Projects

The legal division supports the Commission's Joint Audit and National Nexus Programs and other Commission programs and projects as requested. Recently, for example, the legal division has consulted with the Joint Audit Program on the issuance and enforcement of administrative subpoenas. The legal division assisted with an intensive training for Joint Audit Program staff that took place this year. The legal division also provides support for the Commission's general administration by addressing open meetings issues, maintaining confidentiality policies, handling records requests, researching and making recommendations for record retention policies, resolving lease disputes, reviewing contracts, and filing corporate registrations and reports.

#### Amicus Briefs Filed on Behalf of the Commission

State requests for amicus briefs have escalated in recent years. The legal division has recently filed briefs in: *Franchise Tax Board v. Hyatt*, U.S. Supreme Court Docket No. 17-1299; *Cougar Den v. Washington*, U.S. Supreme Court Docket No. 16-1498; *Colorado v. Oracle*, Colorado Supreme Court No. 2018SC3; *Alabama Dep't of Revenue v. CSX Transportation, Inc.*, U.S. Supreme Court Docket No. 18-447; and *Steiner v. Utah State Tax Commission*, Utah Supreme Court Case No. 20180223-SC.

#### Publications

- Brian Hamer authored an article entitled "States Should Embrace GILTI or Pursue an Alternative Path to Fairness," published in the February 11, 2019 issue of State Tax Notes.
- Helen Hecht authored an article entitled "Fifty Years of MTC Uniformity Efforts: The Not-So-Obvious Lessons," published in the July 2019 issue of the Journal of Multistate Taxation and Incentives.

#### **D. Policy Research**

The policy research director supports Commission efforts in addressing federal legislation with implications for state and local taxation, monitors state adoption of Commission model statutes, regulations, and guidelines. He has been monitoring research on the economic and fiscal impacts on the states resulting from the passage of the Tax Cuts and Jobs Act (TCJA). In addition, he has participated in MTC working group teleconferences on

*Wayfair* Implementation and Marketplace Facilitator Work Group and Combined Filing Model Working Group

He and former Policy Research Intern Parker Armstrong updated information on current economic conditions and trends in state and local government finance for the Commission's 51<sup>st</sup> Annual Conference. This research information was published in the November 26, 2018 edition of State Tax Notes as "Trends in State and Local Government Finances, 1967 to 2017."

The policy research director participated in the following periodic local or online economic forums and seminars:

- Tax Economist Forum Breakfast: Andrew Hanson, Marquette University, Taxes and Borrower Behavior: Evidence from the Mortgage Interest Deductibility Limit – July 11
- REMI luncheon on possible impact of *Wayfair* decision on states – September 13
- REMI luncheon: Economic Impacts of a Revenue-Neutral Carbon Tax – September 27
- Tax Economist Forum Breakfast: Modeling the Internal Revenue Code in a Heterogeneous General Equilibrium Framework – October 4
- Tax Economists Forum: A Universal Earned Income Tax Credit to Reverse Wage Stagnation: Economics, Distribution, and Politics – October 10
- REMI webinar: Mid-term elections and impact on the states – October 25
- REMI luncheon: Policy and the Economy – October 29
- Tax Economist Forum: A Static Microsimulation of the Colombian Tax System – November 8
- REMI webinar: Impacts of Property Assessed Clean Energy Programs – November 14
- National Tax Association Annual Meeting in New Orleans, Louisiana – November 15 through November 17
- REMI luncheon: Earnings, EITC, and Employment Responses to a \$15.00 Minimum Wage: Will Low-Income Workers Be Better Off? – November 29
- National Association for Business Economics (NABE) fourth quarter economic forecast – December 4 (telephone conference)
- Tax Economists Forum: Taxation of Digital Services – December 12
- REMI webinar: Midterm elections and the impact on states – construction of model – December 19
- REMI luncheon: Midterm Elections: What Do They Mean for States? – December 20
- Tax Economists Forum: The Ins and Outs of Measuring Inequality in the U.S.: Piketty and Company Aren't the Only Game in Town – January 23
- Tax Policy Center seminar: How States Are Responding to TCJA – January 29
- Tax Economist Forum: A Framework for Economic Analysis of Tax Regulations – February 6

- Tax Economists Forum: IP Boxes and the Activities of Foreign-Owned U.S. Corporations – February 27
- SITAS Training Peachtree City, Georgia – March 6-7
- Tax Economist Forum: Two Federal Decentralization Proposals: A Universal SALT Deduction and the Case for Qualified Municipal Infrastructure Bonds – March 11
- Tax Economist Forum: Economic Impact of Sports Betting – March 20 (organized by the policy research director)
- REMI luncheon: Economic Costs of an Overvalued Dollar – March 28
- REMI Webinar: New Ideas and State-Level Impacts of TCJA – April 15
- Bureau of the Census Webinar: Job Growth and Spatial Mismatch between Jobs and Low-Income Residents – April 17
- REMI luncheon: New Ideas and State-Level Impacts of TCJA – April 25
- REMI Webinar: The Green New Deal - The Role of Analysis – May 1
- National Tax Association 49<sup>th</sup> Annual Spring Symposium – May 16-17
- Urban Institute Symposium: Effects of Corporate and Business Provisions of the TCJA – June 6
- Economic Policy Institute Conference: Reset Retirement – Solutions for the 21<sup>st</sup> Century – June 14
- REMI 2019 D.C. Annual Policy Conference – June 21
- Tax Economists Forum Breakfast: Carbon Tax – June 26

Other work undertaken by the policy research director include consulting with the American Economics Group on evaluation of data models and data sources for estimating revenue impact of the *Wayfair v. South Dakota* decision, evaluating candidates for the summer internship, monitoring current economic conditions, and providing comments on Charles McLure's articles for State Tax Notes on aspects of the *Wayfair* decision.

Policy Research Intern Parker Armstrong completed his internship in August 2018. Emma Snyder began her internship with the Commission on June 4<sup>th</sup>.

#### **E. Legislative Division**

The legislative counsel and director:

- Monitors and analyzes in collaboration with the director of policy research and the legal division federal legislation that affects states;
- Coordinates Commission responses to federal legislation, including joining with the efforts of other organizations, drafting policy positions, and meeting with legislators and staff;
- Educates congressional members and staff about the negative effects of preemption generally and with respect to specific bills;
- Answers questions from member states about federal legislation;

- Monitors state legislation, identifies trends, and consults with states when requested; and
- Increases the visibility and reputation of the Commission through establishing lines of contact to legislators, taxpayer organizations, other multistate governmental organizations, the public, and other stakeholders in federal and state legislation that preempts or substantially affects state taxation.

A legislative newsletter is published by the legislative counsel most Mondays summarizing introduced federal bills that impact states. Also included in the newsletter are state bills with multistate effect or interest.

The legislative counsel continues to proactively increase the visibility of the Commission and promote it as the “gold standard” for tax policy development. Counsel focuses on state and federal legislators and their staffs; the Congressional Budget Office (providing data to score bills); and multistate organizations such as the National Governor’s Association, the Federation of Tax Administrators; the Streamlined Sales Tax Governing Board; and the National Conference of State Legislatures (NCSL) Executive Committee Task Force on State and Local Taxation. Awareness of the Commission among state legislators who serve on tax committees has historically been low; counsel is working with the NCSL to develop awareness and relationships among with these legislators.

We are monitoring the following issues—

#### Digital Goods

Senator John Thune (R-South Dakota) and Senator Ron Wyden (D-Oregon) introduced S. 765. Representative Steve Cohen (D-Tennessee 19<sup>th</sup>) and Representative John Ratcliffe (R-Texas 4<sup>th</sup>) introduced H.R. 1725, which serves as a companion to S. 765. S. 765 has been referred to the Senate Committee on Finance, on which Mr. Thune serves. Senator Wyden is the ranking member. 16 Republicans, 17 Democrats, and one independent cosponsor S. 765. H.R. 1725 has been referred to the House Committee on the Judiciary, on which Mr. Cohen serves.

Both bills prohibit a state from taxing a digital good unless the state also taxes its tangible equivalent. It also requires that the incidence of the tax fall onto the end user. Interestingly, neither bill creates original jurisdiction in federal district courts, a provision that has been included in previous state tax preemption bills.

#### Mobile Workforce

Senator John Thune (R-South Dakota) introduced S. 604. It prevents a state from taxing the income of a non-resident worker unless the worker engages in employment duties in the state for more than thirty days in the relevant tax year. However, Senator Chuck Schumer (D-New York) is the minority leader and has influence. He opposes the bill fiercely because New York City hosts many itinerant business trips and asserts jurisdiction to tax teleworkers resident in other states. New York estimates that the bill would reduce revenue by \$100m annually.

### BATSA:

Rep. Steve Chabot (R-Ohio-1st) introduced H.R. 3603, the Business Activity Tax Simplification Act, on June 3, 2019. The text is the same as last Congress' iteration except for the effective date. Supporters promote it as an update of P. L. 86-272 designed to reflect the contemporary economy. In reality it would hollow-out state taxation of multistate businesses. H.R. 3063 prohibits almost all state business-activity taxes (including net income, gross receipts, commercial activity, and business and occupation taxes) on entities doing business in a state by expanding protection to include intellectual property and services, allowing physical presence in a state if fewer than 15 days (in contrast, the Mobile Workforce Act requires 30 days), exempting digital goods from taxation, and requiring states using combined or consolidated filing to use the *Joyce* apportionment method. A transliteration of the bill may be found on the MTC website in Legislation portion of the Resources area.

### Extenders

Both Senate Finance Chairman Chuck Grassley (R-Iowa) and House Ways and Means Chairman Richard Neal (D-Massachusetts 1<sup>st</sup>) have announced that they intend to work on tax extenders. Senator Grassley said that he is eager to retroactively apply all extenders because taxpayers have relied on them. Chairman Neal said that he wants to examine them deliberately; there may be a wait for his committee to act.

### Response to *Wayfair*

The general response of Congress after *Wayfair* has been either relief among some as they can point to the decision as a reason to not address the issue or warnings that there must be federal guidelines to how states exercise their new power. Because of *Wayfair*, parties previously favoring federal legislation to authorize states to collect now oppose federal intervention (they have plenary power now; legislation would limit it), while those previously opposed now support federal efforts (to limit *Wayfair* if not to overturn it). However, states so far have been generally doing such an excellent job at restraint after *Wayfair* — no retroactivity, reasonable start dates, and coordination — that they have taken a good bit of wind from the sails of those who predict confusion and difficulty complying with new remote collection requirements. Additionally, Chairman Jerry Nadler (D-N.Y. 10<sup>th</sup>) of the House Judiciary Committee, which has jurisdiction over state tax bills, has demonstrated understanding of the dangers of state-tax preemption

But *Wayfair* does not please all states. Senators from non-sales taxes states (Oregon, Montana, and New Hampshire) have introduced politically-induced legislation (at least 11 bills) to alter implementation of remote collection authority. Although they genuinely oppose having their retailers collected other states' tax, it is politically critical to be seen by their constituents having taken some action. They likely know that their bill will not pass. And then there is New Hampshire where state officials have enacted legislation that imposes requirements on states attempting to enforce their collection right on New Hampshire sellers.

These are the major state legislative responses the *Wayfair* decision:

- Bills repealing no longer necessary laws such as “click-through nexus” and notice and reporting requirements.
- In states without statutory authority, bills to require remote vendors to collect.

- A large amount of activity involves establishing collection and remittance requirements regarding sales made by or through marketplace facilitators. Numerous state bills have passed or are pending. The status of these bills can be found in the Legislative Newsletter.
- A significant amount of activity setting sales and transaction thresholds applicable to remote sellers. Many states have copied South Dakota's thresholds (\$100,000 of sales into the state in a year or 200 or more separate transactions in a year) because those were considered "safe" after the *Wayfair* decision. Some states have dropped the transactions requirement, while a few states have adopted or are considering adoption of a sales threshold greater than \$100,000.

### SALT Deduction

This is a personal income tax issue. Legislators from states (primarily Democratic) whose residents are heavily burdened by the Tax Cuts and Jobs Act's \$10,000 cap on state and local taxes that may be deducted federally have introduced at least eleven bills to either remove the cap or allow their states to employ work-arounds, such as nearly 100% credits against state and local taxes for deductible charitable donations to functions typically performed by the state. These bills will not advance. The Republican-controlled Senate is not disposed to consider the issue, as most states have residents who are only slightly disadvantaged and the cost of the tax expenditure is high. Three states, three New York counties, and one New York village have filed suits on this issue.

### **F. Training**

The training staff supported the following activities since July 1, 2018:

#### Computer Assisted Audit Techniques Using Excel

July 11 – 12, 2018, in Hoover (Birmingham area), Alabama, for 26 participants from the Alabama Department of Revenue, the Georgia Department of Revenue, the Kansas Department of Revenue, and the South Carolina Department of Revenue.

#### Statistical Sampling for Sales and Use Tax Audits

September 24 – 28, 2018, in Sioux Falls, South Dakota, for 23 participants from the Iowa Department of Revenue, the Nebraska Department of Revenue, and the South Dakota Department of Revenue.

#### Intercompany Transactions/Transfer Pricing training

March 6 – 7, 2019, in Peachtree City, Georgia, for 34 participants from the Alabama Department of Revenue, the Arkansas Department of Finance and Administration, the Connecticut Department of Revenue Services, the Delaware Division of Revenue, the Georgia Department of Revenue, the Kansas Department of Revenue, the Kentucky Department of Revenue, the Louisiana Department of Revenue, the Mississippi Department of Revenue, the Missouri Department of Revenue, the New Jersey Division of Taxation, the North Carolina Department of Revenue, the Oregon

Department of Revenue, the Utah State Tax Commission, the West Virginia State Tax Department, and the Wisconsin Department of Revenue.

Corporate Income Tax training

March 18 – 21, 2019, in Trenton, New Jersey, for 61 participants from the New Jersey Division of Taxation.

Nexus School

May 6 –7, 2019, in Helena, Montana, for 42 participants from the Georgia Department of Revenue, the Louisiana Department of Revenue, the Minnesota Department of Revenue, the Montana Department of Revenue, and the South Carolina Department of Revenue.

Statistical Sampling for Sales and Use Tax Audits

June 11-14, in Milwaukee, Wisconsin, for 24 participants from the Illinois Department of Revenue, the Kansas Department of Revenue, the Minnesota Department of Revenue, the Missouri Department of Revenue, the Wisconsin Department of Revenue, and the Wyoming Department of Revenue.

Other training conducted by Commission staff included a video conference *Ethics and Professionalism for State Tax Professionals*, presented by Bruce Fort, Helen Hecht, Marshall Stranburg, and Greg Matson; an informational and training session webcast titled *Legal and Legislative Developments in Marketplace Collection After Wayfair* presented by Richard Cram and Brian Hamer; and an informational and training session *GILTI, FDII and Repatriation: One Year Later* presented by Bruce Fort.

The events and training staff coordinated the logistics of the 51<sup>st</sup> Annual Conference in Boston, Massachusetts, July 23 – 26, 2018, which included an off-site reception and dinner at the New England Aquarium. Ellen Tansey from the Massachusetts Department of Revenue provided onsite assistance.

The events and training staff also coordinated logistics for the 52<sup>nd</sup> Annual Conference in Boise, Idaho. The events and training manager traveled to Boise, Idaho, in August 2018, to do a walk-through at the Grove — the host hotel — and visit five potential venues for an off-site banquet (which will be held at the Basque Market). Mike Chakarun from Idaho accompanied her, along with representatives from the Boise Convention and Visitors Bureau who arranged and scheduled the visits.

The events and training staff secured venues for trainings that will occur in September and October of 2019. Requests for proposals were sent out and space secured for the 2019 Fall Committee Meetings in San Antonio, Texas. Events and training staff conducted site visits in the D.C. area for potential space for the 2020 Spring Committee Meetings. The events and training manager participated in a FAM (familiarity trip sponsored by the city's Convention and Visitors Bureau) to Anchorage, Alaska, as potential site of 2021 Annual Conference and Meetings. A site visit to Little Rock, Arkansas, was made to scout prospective venues for the 2020 Annual Conference and Meetings.

## II. Administration

The construction related to the expansion of the D.C. office into adjoining space was completed in December. This expands the size of the D.C. office from 5,906 square feet to 6,820 square feet. Furniture has been installed and this space is now occupied and in use.

Georgetown University Law Center and the MTC have partnered to provide a 20% tuition discount to state and local tax government attorneys and qualified non-attorney tax professionals who matriculate in Georgetown's LL.M., MSL, or SALT Certificate Distance Learning programs. The MTC verifies qualifying employment for applicants seeking the discount. This year, 6 applicants from 5 states took advantage of this discount program.

Dan Keating, senior auditor, retired in May 2019. Dan had been with the Commission since May 1999.

Keith Getschel retired in May of 2019, with 5 years of service to the Commission as the director of the Joint Audit Program. Before coming to the Commission, Keith had been the assistant commissioner for business taxes with the Minnesota Department of Revenue and participated in numerous Commission matters.

Holly Coon was hired on April 15, 2019, to replace Keith as director of the Joint Audit Program. Holly had been with the Alabama Department of Revenue since 2002, most recently serving as Business Tax Manager. Holly also has been actively involved in Commission efforts, including serving as the chair of the Uniformity Committee.

### Technology Addendum

The operating system on the Checkpoint firewalls and firewall manager appliance in the D.C. data center has reached end of support by the manufacturer. Preparations are underway to upgrade the operating system in these critical pieces of equipment.

Security training was conducted during the training for Joint Audit Program staff in Boston. The training included a very limited live demonstration of a penetration testing tool that illustrated how vulnerable a user is on a wireless network. The same training was also conducted for D.C. office staff.

During the Joint Audit Program training in Boston, a specific issue with Excel was mentioned by several auditors. The network administrator has worked with audit staff to try to resolve the issue. Although the issue is still unresolved, ways to minimize the negative impact have been found and the network administrator continues to work directly with the auditors most affected to find a solution.

The need for an internal file sharing system for various departments, with varying requirements has been discussed. The executive director, deputy executive director, web content manager, and the network administrator met to discuss the use of SharePoint server

(which we currently have with our Office 365 subscription) to provide a solution to each department's specific needs.

The Nexus Program director and staff, along with the network administrator, have begun the process of identifying a vendor to begin re-engineering the voluntary disclosure online application as well as the desktop application used by Nexus Program staff.

Projects and work previously completed include the replacement of laptops for all staff, the migration of the Commission's email service to Office 365 in the Microsoft government cloud, and equipment changes in the data center required by the D.C. office expansion and renovation.

The normal maintenance of server hardware in the D.C. and Chicago offices occurs on a regular basis through on-site visits by the network administrator.

### **III. Outside Presentations & Events**

The executive director serves as a member of the following annual conference advisory boards: Georgetown University Law Center's State and Local Tax Institute, the Hartman State and Local Tax Forum, the New England State and Local Tax Forum, and New York University's State and Local Tax Institute.

The following are the programs, conferences, and other events of outside organizations at which members of the staff represented the Commission during the reporting period:

#### JULY

- 2018 SEATA Conference; *Market-Based Sourcing*, (Fort, panelist); Nashville, Tennessee (Matson)
- Webinar presentation for The Knowledge Group, *The Growing Importance of Sales Tax Automation: What You Need to Know* (Cram, panelist)
- NCSL 2018 Legislative Summit and Executive Committee Task Force on State and Local Taxation meeting; *States' Responses to the New Federal Tax Law* (Hecht, panelist); *Online Sales Taxes: What's Ahead for States* (Matson, panelist); Los Angeles, California (Shimkin)

#### AUGUST

- 2018 FTA Technology Conference and Exhibition; Kansas City, Missouri (Lane, Worthington)
- 2018 MSATA Conference; *Understanding the New IRS Partnership Rules* (Hecht, panelist); *Federal Tax Reform – How Have the States Reacted So Far?* (Hecht, panelist); Kansas City, Missouri (Stranburg)
- Council on State Taxation Mid-Atlantic Regional State Tax Seminar; (Matson, panelist); McLean, Virginia

## SEPTEMBER

- New Mexico Legislature Revenue Stabilization and Tax Policy Committee, *Post Wayfair Gross Receipts Tax/Compensating Use Tax Administration Issues* (Hecht, Cram presenters)
- 2018 ABA Fall Tax Meeting; *Wayfair and the Way Forward* (Disque, panelist); Atlanta, Georgia
- 2018 NESTOA Conference; *Federal Tax Reform – How Have the States Reacted So Far?* (Fort, panelist); Baltimore, Maryland (Matson, Stranburg)
- 2018 WSAT Conference; *National Overview of SALT* (Matson, panelist); *State Tax Issues Implicated by Federal Tax Reform and IRS Partnership Audit Rules* (Hecht, panelist); Austin, Texas
- Collaborative Audit Group Meeting; Charlotte, North Carolina (Stranburg)

## OCTOBER

- Streamlined Sales Tax Governing Board Meeting; St. Louis, Missouri (Cram, Stranburg)
- NCSL/NGA Meeting with Directing Marketing Representatives; St. Louis, Missouri (Cram, Stranburg)
- 2018 FTA Revenue Estimation and Tax Research Conference; San Diego, California (Dubin)
- 25<sup>th</sup> Annual Paul J. Hartman State and Local Tax Forum; *Designing a Better Sales and Use Tax* (Hecht, panelist); *Federal Tax Reform- International Issues* (Fort, panelist); Nashville, Tennessee (Matson)

## NOVEMBER

- National Tax Association 111<sup>th</sup> Annual Meeting; New Orleans, Louisiana (Dubin)
- New England State and Local Tax Forum; *State Tax Impact of Federal Tax Reform – Overview* (Hecht, panelist); Newton, Massachusetts
- Bloomberg Tax Leadership Forum; *The State of State* (Stranburg, panelist); Washington, D.C.
- NCSL Executive Committee Task Force on State and Local Taxation meeting; *Marketplace Facilitator Laws* (Cram, panelist); Scottsdale, Arizona
- New Jersey Society of Certified Public Accountants Multistate Tax Conference; *Multistate Sales Use Tax Compliance and MTC Voluntary Disclosure Post-Wayfair* (Cram, panelist); Iselin, New Jersey

## DECEMBER

- Webinar presentation for the Alabama Municipal Revenue Officers Association Winter Conference; *Wayfair Implementation and Marketplace Facilitators* (Cram)
- NCSL Capitol Forum; *Federal Tax Reform and the Impact on 2019 Legislative Sessions* (Hecht); Washington, D.C.
- NYU 37<sup>th</sup> Institute on State and Local Taxation; *Review and Preview of Federal Constitutional Issues* (Fort); *Due Process – Significant Current Issues* (Disque, panelist);

*Federal Tax Reform: Domestic Issues and their Impacts on the States* (Fort, panelist); New York, New York

- Presentation to Idaho Legislative subcommittee on MTC Activities (GILTI and Marketplace Collection) (Fort); Boise, Idaho.

#### JANUARY

- FTA Midwinter and New Commissioner Meeting (Matson, Stranburg, Hecht); New Orleans, Louisiana
- Baker Botts The SALT Show Podcast; *State Transfer Pricing Primer Part 4* (Stranburg)
- New Jersey Tax Court; *Recent Nexus Law Developments* (Cram); *Sales and Use Tax Audits* (Yun); Newark, New Jersey
- NCSL Legislative Fiscal Academy; *Remote Sales Tax Collection: Wayfair, Streamlined Sales Tax and Marketplace Facilitators* (Cram, panelist); Honolulu, Hawaii
- Institute for Professionals in Taxation; *Income Tax Nexus – It Still Matters* (Hecht, panelist); Orlando, Florida
- Ernst and Young Webcast on Current Developments in State and Local Tax Controversy (Hecht, panelist)
- Urban-Brookings Tax Policy Center Conference - How Are States Responding to the Tax Cuts and Jobs Act?; *State Responses to TCJA'S International Provisions* (Hecht, panelist); *Perspectives of State Tax Administrators and Multistate Businesses on Post-TCJA State Taxation* (Fort, panelist); Washington, D.C.

#### FEBURARY

- 2019 FTA Compliance and Education Workshop; *MTC Lawyers Explain Why You Do What You Have To Do When Auditing* (Disque and Barber, panelists); San Diego, California (Silver)
- D.C. Bar State and Local Tax Committee Lunch; *MTC Multistate Voluntary Disclosure Program* (Cram); Washington, D.C.
- Presentation to the staff of the National Governor's Association on legal and policy impacts of the Tax Cuts and Jobs Act (Fort, panelist – via phone)
- Testimony to the Kansas House Tax Committee on aspects of the Tax Cuts and Jobs Act (Hamer)

#### MARCH

- NYU SALT Luncheon Group; *MTC Update* (Matson); New York, New York
- ABA/IPT Advanced Income Tax Seminar; *State Income Tax Implications of Wayfair – Way Un-Fair?* (Stranburg, panelist); New Orleans, Louisiana
- Webinar presentation for The Knowledge Group; *The South Dakota v. Wayfair Decision: Your Business and the Evolving Sales Tax Landscape* (Cram, panelist)
- State Bar of Texas Tax Section Advanced Tax Workshop; *To Streamline or not to Streamline: Removing Undue Burden from Remote Sellers* (Hecht, moderator); Dallas, Texas

- Federal Bar Association 43<sup>rd</sup> Annual Tax Law Conference; *Federal Tax Reform Implications for States: A Focus on the More Difficult and Lingering Issues Arising from §965, GILTI, and §163(j)* (Hecht, moderator; Fort, panelist); Washington, D.C.

#### APRIL

- 12<sup>th</sup> Annual American Catalog Mailers Association National Catalog Forum; *It's a Wayfair World Now and We All Have to Live In It* (Stranburg, panelist); Washington, D.C.
- National Association of State Budget Officers Spring Meeting; *Online Sales Tax—State Updates* (Cram); Philadelphia, PA
- Testimony before the Vermont Legislative Tax Committee on market-based sourcing, combined filing reforms, 80/20 exclusions, repatriation income, and gross receipts taxes (Fort – via telephone).

#### MAY

- 16<sup>th</sup> Annual New Mexico Tax Research Institute Tax Policy Conference; *Ecommerce, Remote Sales, and the Modernization of the Sales Tax* (Cram, panelist); *Developments in State Taxes: Case Review and Evolving Issues* (Hecht); *Debate on Emerging State Tax Issues* (Hecht, Moderator); Albuquerque, New Mexico
- Georgetown 42<sup>nd</sup> Annual Advanced State and Local Tax Institute; *GILTI, the Transition Tax on Repatriated Income, and the State Taxation of Foreign Source Income after Federal Tax Reform* (Fort, panelist); *Analyses and Predictions on Marketplace Providers* (Cram, panelist); *Match Point: debate on All Topics SALT* (Matson, panelist); Washington, D.C. (Barber, Disque, Dubin, Hamer, Hecht, Shimkin, Stranburg)
- NCSL Executive Committee Task Force on State and Local Taxation; *Marketplace Facilitator Legislation* (Cram, panelist); Washington, D.C.
- 2019 ABA Tax Meeting; *The Taxation of the Digital Economy* (Disque, panelist); Washington, D.C.

#### JUNE

- Florida Institute of Certified Public Accountants Mega CPE Conference; *Multistate Tax Update* (Stranburg, panelist); Lake Buena Vista, Florida
- Federation of Tax Administrators Annual Meeting; *Legal Case Update* (Hecht, panelist); Indianapolis, Indiana (Matson, Hamer, Stranburg)
- Bloomberg Tax Webinar; *Wayfair: One Year Later* (Cram, panelist)